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CURRENT SUPPORT BRIEF

USSR ABOLISHES PRODUCER COOPERATIVES

OFFICE OF RESEARCH AND REPORTS

CENTRAL INTELLIGENCE AGENCY

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The Soviet Union has recently completed the reorganization of all producer cooperative enterprises into state enterprises under republic ministries or main administrations of local industry or under councils of national economy. This action removes a type of economic organization which was considered ideologically inferior and which was unjustifiably costly to administer and coordinate. Budget data, industrial cost, output, and labor force statistics are affected by the change.

In recent years significant numbers of producer cooperative enterprises had been reorganized as state enterprises. Such changes in the 1955-1956 period were great enough to reduce membership in producer cooperatives from 1.8 million to 1.2 million, 1/ although by 1959 membership had increased to 1.4 million in a nonagricultural labor force of about 53 million. 2/ Each producer cooperative was, however, allowed to hire additional workers and employees up to the level of 10 percent of total membership, and higher limits were set in special cases.

Production by cooperative industry was 6 percent of total Soviet industrial production in 1959. 3/ This figure apparently includes some production by collective farm and consumer cooperative organizations, but producer cooperatives accounted for about 4 percent of total industrial output. Producer cooperatives concerned themselves primarily with the production and provision of consumer goods and services, utilizing waste materials and by-products of state industry as well as other locally available materials. Cooperative shops turned out significant quantities of clothing and other textiles, wood products including furniture, metal products such as kitchen utensils, food products, and leather and fur goods. Services rendered by cooperative organizations included tailoring, shoe mending, and general household repair work.

Soviet officials have always considered the cooperative form of organization to be transitional and ideologically undesirable. It has been employed where expediency demanded it or inertia maintained it. Producer cooperatives originally were introduced to effect the consolidation, organization, and state control of production by independent, skilled craftsmen without subjecting these craftsmen to the psychological shock of reduction to the status of state workers. By 1960, a generation after the producer cooperatives had been organized by the state, the tradition of the independent craftsman had been effectively submerged, and the success of the earlier transfers cleared the path for the general change.

Harbinger of the general transfer was the announcement on 15 May 1960 in Turkmenskaya Iskra of the reorganization of that republic's producer cooperatives into state enterprises and the replacement of the Turkmen Council of Producer Cooperatives with the newly-formed Main Administration of Local Industry under the Turkmen Council of Ministers. 4/ Similar announcements were made in the summer and fall for the Kazakh, Tadzhik, and Belorussian republics. 5/

An article in Kommunist, appearing in September 1960, stated that earlier changes from the producer cooperative to the state industry form of organization had been successful and that producer cooperative enterprises were therefore in the process of being reorganized as state enterprises "everywhere." 6/ The following month, USSR Deputy Finance Minister Uryupin wrote in Finansy SSSR that the decision had been made to transfer producer cooperative enterprises to the jurisdiction of state agencies. 7/ The 1960 plan fulfillment report, released on 26 January 1961, stated that all producer cooperative enterprises had been reorganized as state enterprises by the close of 1960. 8/

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An effect of the reorganization on the state budget appeared in the 1960 budget report. This report contained a reference to funds of more than 300 million (new) rubles which were available "from non-centralized sources" to be used to finance capital works by state organizations. 9/ The sources are probably accumulations of liquid assets in the producer cooperative organizations which have been taken over by the state.

The effect on industrial cost and output data may also be seen in the budget report. Cost figures for state industry and output totals derived from them do not coincide with previously constructed cost and output series. The new Soviet figures indicate a noticeable discontinuity between the output of state industry in 1959 and that planned for 1961. The discontinuity is caused by an unexpected increase of about 3 or 4 percentage points, which may be attributed to the inclusion of output formerly credited to cooperative enterprises.

According to the 1960 plan fulfillment report, the conversion of producer cooperatives into state enterprises added 1.4 million persons to the state labor force in 1960, contributing to the unusually large annual increase of 5.5 million in that category. 10/ The recently published results of the 1959 census indicate that the category "members of producer cooperatives" has now been eliminated from Soviet employment statistics.

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